

CORRECTED FISCAL NOTE

HB 2466 - SB 2769

March 16, 1998

SUMMARY OF BILL: Makes certain changes to the Chapter 659 Property Tax Deferral Program, which allows deferral of the increase in property tax over the 1979 amount, as follows:

- Increases the maximum income to qualify for deferral of property tax from \$12,000 to \$25,000;
- Excludes income of spouse and family members in determining total income;
- Increases the application fee from \$5 to \$6;
- Requires that unpaid balance of taxes comes due within 18 months of death of property owner, or 60 days after the property is sold;
- Deletes the \$50,000 fair market value limit; and
- Changes the interest rate on deferred taxes to 6% instead of 10%.

ESTIMATED FISCAL IMPACT:

On February 7, 1998, we issued a fiscal note on this bill that indicated:

The impact of this bill is a decrease in local government revenues of \$436,000. Impact is also estimated to be an increase in administrative expenses for local governments of \$50,000, based on the number of jurisdictions that could participate, which would be required to file liens and pay recording fees. In addition, estimates of decrease in revenues assume participation of 1,365 eligible householders (based on Illinois participation rates).

Based upon additional information received, the estimated fiscal impact of this bill is:

**Decrease Local Govt. Revenues - \$174,400 First Year / Net Impact / Permissive
\$261,600 Second Year / Net Impact / Permissive**

Increase Local Govt. Expenditures - \$50,000 / Permissive

This assumes administrative expenses for local governments of \$50,000, based on the number of jurisdictions that could participate, which would be required to file liens and pay recording fees.

Estimates of decrease in revenues based on the following:

- Approximately 273,000 eligible householders in Tennessee.
- Participation of 546 eligible householders in the first year and 819 participants in the second year (based on Illinois participation rates).
- Median home sales in Tennessee were \$79,900 in 1995 and \$46,000 in 1979, the base year for calculating tax deferral amount.
- Estimated composite property tax rate of \$2.742 for 1997 and \$2.373 for 1979, the base year for calculating tax deferral amount.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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